



Australian Fisheries Management Authority

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Dear Mr Belin

### **Draft Report on Cost Recovery**

I refer to your Circular of 12 April 2001 which accompanied the release of the Productivity's Commission draft report on Cost Recovery. The Australian Fisheries Management Authority (AFMA) generally supports the broad thrust of the report. While we appreciate that the report would naturally focus on areas in need of improvement we were a little disappointed that there was no acknowledge of cost recovery schemes which are working well and had many of the desirable characteristics which the report puts forward. We consider that our own cost recovery process is one of these and point to the support for it from the Australian Seafood Industry Council, the peak fishing industry body, as confirmation. In this context we believe that the report would be enhanced if reference to effective and efficient cost recovery arrangements such as those being used to recover costs from the commercial fishing industry were included in the final report.

AFMA provides the following more detailed comments on specific aspects of the Draft Report.

### **Draft Recommendation 3.4**

Draft recommendation 3.4 states "*A Cost Recovery Impact Statement (CRIS) process should be developed for application to all significant cost recovery proposals or amendments to existing cost recovery arrangements not covered by an enhanced Regulatory Impact Statement (RIS).*"

AFMA recovers costs through fishing industry levies set by Regulation under the *Fishing Levy Act 1991*. The Government's Cost Recovery Policy for Managing Fisheries requires that AFMA set levies annually for each fishery. The levies are calculated on the basis of budgeted recoverable costs for managing each fishery adjusted by any variances in recoverable costs for that fishery from the previous year. Consequently, levies for each fishery change every year and can increase or decrease

significantly if there are significant changes in management costs. Currently, the draft budgets for each fishery are reviewed by each of the relevant Management Advisory Committee (MAC), which includes members from the fishing industry.

It is AFMA's view that the combination of the current Cost Recovery Policy and review of the draft budgets by the MACs is an efficient, effective and transparent way of dealing with annual changes to levies collected by AFMA. AFMA believes that a CRIS process would only be valuable if there were any proposed changes to the Government's Cost Recovery Policy for Managing Fisheries that would significantly affect the basis on which fishing industry levies are calculated. Completing a CRIS on an annual basis would be a significant additional administrative impost for what is already a time consuming process providing little benefit.

### **Section 5.1 Finding**

The finding in section 5.1 states *"It is generally not appropriate for regulatory agencies to have, in effect, automatic access to cost recovery revenues for regulatory activities without proper budgetary and parliamentary scrutiny"*.

AFMA collects cost recovery revenue on behalf of the Government and deposits it to consolidated revenue. It is then appropriated to AFMA as a special appropriation. Both the special appropriation and related expenditure are included in AFMA's financial statement in the Agriculture, Fisheries and Forestry – Australia (AFFA) Portfolio Budget Statements. AFMA supports this as the special appropriation should be disclosed separately so that the amount of revenue collected from industry is transparent. It is unclear from the Draft Report whether the Commission considers this process to be subject to proper budgetary and parliamentary scrutiny. Regardless, AFMA believes that it is entirely appropriate for the revenues collected from industry to be returned to AFMA and be spent on the activities for which they were collected. Not to do so would mean that part of the revenues may effectively become a tax and lead to complaints from industry that they were not getting the services for which they believed they were paying. This assumes, as in AFMA's case, that the levies are for attributable management costs only (ie cost recovery purposes).

### **Section 5.2/5.3**

Draft recommendation 5.2 states *"The Government should address the effectiveness of the existing performance based efficiency audit approach based on stakeholder consultation"*.

The Commission has also sought further views on the establishment of Efficiency Audit Committees.

AFMA supports the use of stakeholder consultation as the most effective means of addressing the efficiency of agencies. However, we do not see any additional value in introducing an Efficiency Audit Committee. We believe that this would add additional costs to the established process.

As explained above, individual fisheries budgets are reviewed by the relevant MACs which include a number of industry members (typically four of nine members). Where there is no MAC draft budgets are also sent directly to fishers. The MACs are able to examine the budget for their fishery in detail and make recommendations for both increased and decreased expenditure. AFMA's total budget including elements cost recovered from industry, is reviewed by AFMA's Executive, and the AFMA Finance and Audit Committee, before it is finally approved by the AFMA Board. The Board has two of eight members drawn from fishing industry. This approach provides for industry input with appropriate controls to avoid "industry capture" and any possible "rust plating" of regulatory services.

The Australian National Audit Office (ANAO) has also undertaken two performance audits of AFMA in the past nine years and AFMA has been subject to a number of Parliamentary reviews. AFMA's experience from these reviews and the efficiency dividend applied to AFMA's government appropriations is that they are indeed blunt instruments and do not produce the appropriate balance of funding to services provided. AFMA's limited knowledge of pricing reviews suggests that these may also operate in a similarly blunt manner. That is, they tend to be solely aimed at reducing the overall cost rather than a balanced assessment of the benefit/cost of providing specific services. AFMA's earlier submission to the Commission highlighted shortcomings on the Government funding side for AFMA and compared this to the effectiveness of the review and acquittal processes applied to industry cost recovery funding. AFMA was supported by the Australian Seafood Industry Council in this regard. AFMA believes that its process for industry consultation on cost recovery produces results in agency efficiency and would recommend a similar consultative approach and acquittal system for Government funding.

If you have any questions, please contact Phil Marshall, General Manager Strategy and Planning on 02 6272 5576.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Frank Meere', with a stylized, flowing script.

Frank Meere  
Managing Director